

## **CLAIMS**

What is claimed is:

1. A variable life insurance product for capitalizing on arbitrage opportunities between annuity markets and life insurance markets comprising:
  - a premium obligation that obligates a policyholder to make at least one premium payment to a variable insurance carrier in exchange for variable life insurance on the life of one or more insured, wherein at least a portion of the at least one premium payment is allocated to a segregated account held by the variable insurance carrier for the benefit of the policyholder; and
  - a variable death benefit determined based on the value of assets contained within the segregated account upon death of the one or more insured, wherein at least a portion of the assets in the segregated account comprise one or more leveraged annuity on the life of one or more leveraged annuity client and a beneficial ownership interest in one or more leveraged life insurance policy on the life of one or more leveraged life insurance client, wherein periodic premium payments on the one or more leveraged life insurance policy are financed by periodic annuity proceeds generated by one or more leveraged annuity, and wherein the one or more leveraged annuity and the one or more leveraged life insurance policy are purchased using loan proceeds from a loan in an amount that is less than a leveraged death benefit of the one or more leveraged life insurance policy.
2. The variable life insurance product of claim 1, wherein the assets of the segregated account comprise shares of an arbitrage fund created by the variable insurance carrier; and
  - wherein the arbitrage fund holds an ownership interest in at least one arbitrage entity that owns an interest in the one or more leveraged annuity, the one or more leveraged life insurance policy and debt in the amount of the loan.

3. The variable life insurance product of claim 2, wherein the arbitrage entity is selected from the group consisting of: a partnership, a corporation, a trust, a limited liability corporation, and a limited liability partnership.

4. The variable life insurance product of claim 2, wherein the arbitrage entity comprises a partnership having two or more partners.

5. The variable life insurance product of claim 4, wherein the ownership interest held by the arbitrage fund comprises a partnership interest in the arbitrage entity.

6. The variable life insurance product of claim 5, wherein the portion of the at least one premium payment allocated to the segregated account is used to purchase the partnership interest from one or more of the partners.

7. The variable life insurance product of claim 2, wherein the arbitrage entity comprises a partnership having a general partner and a limited partner; wherein the general partner owns a general partnership interest in the arbitrage entity; and wherein the limited partner owns a limited partnership interest in the arbitrage entity.

8. The variable life insurance product of claim 7, wherein the arbitrage fund holds the limited partnership interest in the arbitrage entity.

9. The variable life insurance product of claim 7, wherein the at least one premium payment comprises a single premium payment in an amount substantially equal to a fair market value of the limited partnership interest; and

wherein the portion of the single premium allocated to the segregated account is used to purchase the limited partnership interest from the limited partner.

10. The variable life insurance product of claim 2, wherein the arbitrage entity is a beneficiary of an arbitrage trust that owns the one or more leveraged annuity, the one or more leveraged life insurance policy and the debt in the amount of the loan.

11. The variable life insurance product of claim 10, wherein the arbitrage trust is a grantor trust created by the arbitrage entity.

12. The variable life insurance product of claim 10, wherein upon death of the one or more leveraged life insurance client, the arbitrage trust receives the leveraged death benefit;

wherein the arbitrage trust uses the leveraged death benefit to repay any outstanding balance of the loan, with any remainder of the leveraged death benefit comprising net arbitrage proceeds;

wherein the arbitrage trust distributes the net arbitrage proceeds to the arbitrage entity as the beneficiary of the arbitrage trust; and

wherein the arbitrage entity liquidates its assets and thereby distributes a portion of the net arbitrage proceeds to the arbitrage fund in accordance with the ownership interest in the arbitrage entity held by the arbitrage fund.

13. The variable life insurance product of claim 2, wherein upon death of the one or more leveraged life insurance client, the arbitrage entity receives the leveraged death benefit;

wherein the arbitrage entity uses the leveraged death benefit to repay any outstanding balance of the loan, with any remainder of the leveraged death benefit comprising net arbitrage proceeds; and

wherein the arbitrage entity liquidates its assets and thereby distributes a portion of the net arbitrage proceeds to the arbitrage fund in accordance with the ownership interest in the arbitrage entity held by the arbitrage fund.

14. The variable life insurance product of claim 1, wherein at least one of the one or more insured and at least one of the one or more leveraged life insurance client and the one or more leveraged annuity client are same person.

15. The variable life insurance product of claim 1, wherein at least one of the one or more leveraged life insurance client and at least one of the one or more leveraged annuity client are same person.

16. The variable life insurance product of claim 1, wherein the variable death benefit is payable to at least one beneficiary of the variable life insurance product.
17. The variable life insurance product of claim 16 wherein the at least one beneficiary of the variable insurance product is an irrevocable trust.

18. A method for capitalizing on arbitrage opportunities between annuity markets and life insurance markets comprising:

forming an arbitrage entity and causing the arbitrage entity to obtain a loan from a lender in an amount sufficient to purchase one or more leveraged annuity on the life of one or more leveraged annuity client and one or more leveraged life insurance policy on the life of one or more leveraged life insurance client, wherein periodic annuity proceeds of the one or more leveraged annuity are sufficient to cover periodic premium payments on the one or more leveraged life insurance policy and periodic interest on the loan, and wherein a leveraged death benefit of the one or more leveraged life insurance policy exceeds the amount of the loan;

causing the arbitrage entity to purchase the one or more leveraged annuity and the one or more leveraged life insurance policy; and

offering an ownership interest in the arbitrage entity for sale as an asset to be held in a variable life insurance product on the life of one or more insured.

19. The method of claim 18, wherein the arbitrage entity comprises a partnership having two or more partners.

20. The method of claim 19, wherein offering the ownership interest in the arbitrage entity for sale comprises offering a partnership interest for sale.

21. The method of claim 19, wherein the partnership interest is offered for sale to an arbitrage fund; and

wherein a variable insurance carrier purchases shares of the arbitrage fund to be held in a segregated account supporting the variable life insurance product.

22. The method of claim 18, wherein the arbitrage entity comprises a partnership having a general partner and a limited partner;

wherein the general partner owns a general partnership interest in the arbitrage entity; and wherein the limited partner owns a limited partnership interest in the arbitrage entity.

23. The method of claim 20, wherein offering the ownership interest in the arbitrage entity for sale comprises offering a partnership interest for sale.

24. The method of claim 20, wherein the limited partnership interest is offered for sale to an arbitrage fund; and

wherein a variable insurance carrier purchases shares of the arbitrage fund to be held in a segregated account supporting the variable life insurance product.

25. The method of claim 18, wherein the ownership interest in the arbitrage entity is offered for sale at its fair market value.

26. The method of claim 18, wherein causing the arbitrage entity to obtain the loan comprises causing the arbitrage entity to form an arbitrage trust to obtain the loan;

wherein causing the arbitrage entity to purchase the one or more leveraged annuity and the one or more leveraged life insurance product comprises causing the arbitrage entity to direct the arbitrage trust to purchase the one or more leveraged annuity and the one or more leveraged life insurance product; and

wherein the arbitrage entity is a beneficiary of the arbitrage trust.

27. The method of claim 26, wherein the arbitrage entity is a sole beneficiary of the arbitrage trust.

28. The method of claim 26, wherein the arbitrage trust is a grantor trust created by the arbitrage entity;

29. The method of claim 26, wherein upon death of the one or more leveraged life insurance client, the arbitrage trust receives the leveraged death benefit;

wherein the arbitrage trust uses the leveraged death benefit to repay any outstanding balance of the loan, with any remainder of the leveraged death benefit comprising net arbitrage proceeds;

wherein the arbitrage trust distributes the net arbitrage proceeds to the arbitrage entity as the beneficiary of the arbitrage trust; and

wherein the arbitrage entity liquidates its assets and thereby distributes the net arbitrage proceeds in accordance with any ownership interest in the arbitrage entity.

30. The method of claim 18, wherein upon death of the one or more leveraged life insurance client, the arbitrage entity receives the leveraged death benefit;

wherein the arbitrage entity uses the leveraged death benefit to repay any outstanding balance of the loan, with any remainder of the leveraged death benefit comprising net arbitrage proceeds; and

wherein the arbitrage entity liquidates its assets and thereby distributes the net arbitrage proceeds in accordance with any ownership interest in the arbitrage entity.

31. The method of claim 18, wherein at least one of the one or more insured and at least one of the one or more of the leveraged life insurance client and the one or more leveraged annuity client are same person.

32. The method of claim 18, wherein at least one of the one or more of the leveraged life insurance client and at least one of the one or more leveraged annuity client are same person.